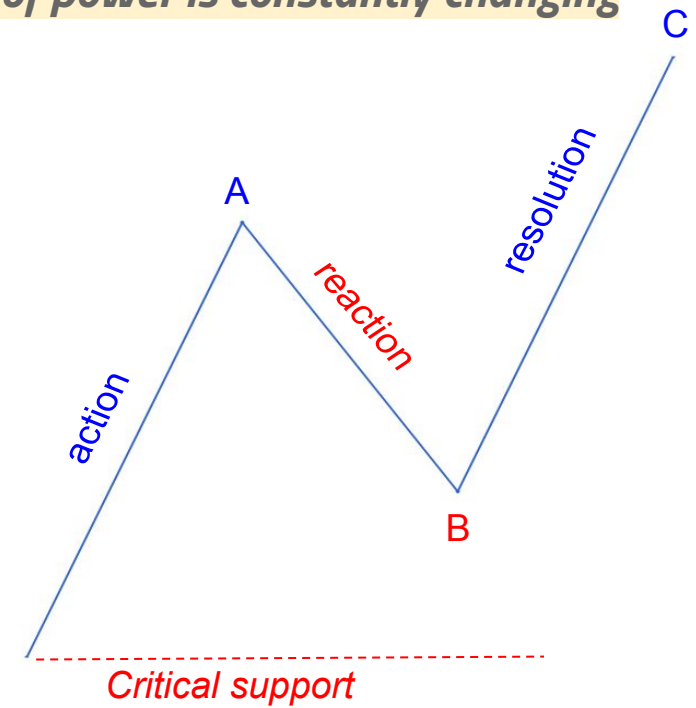
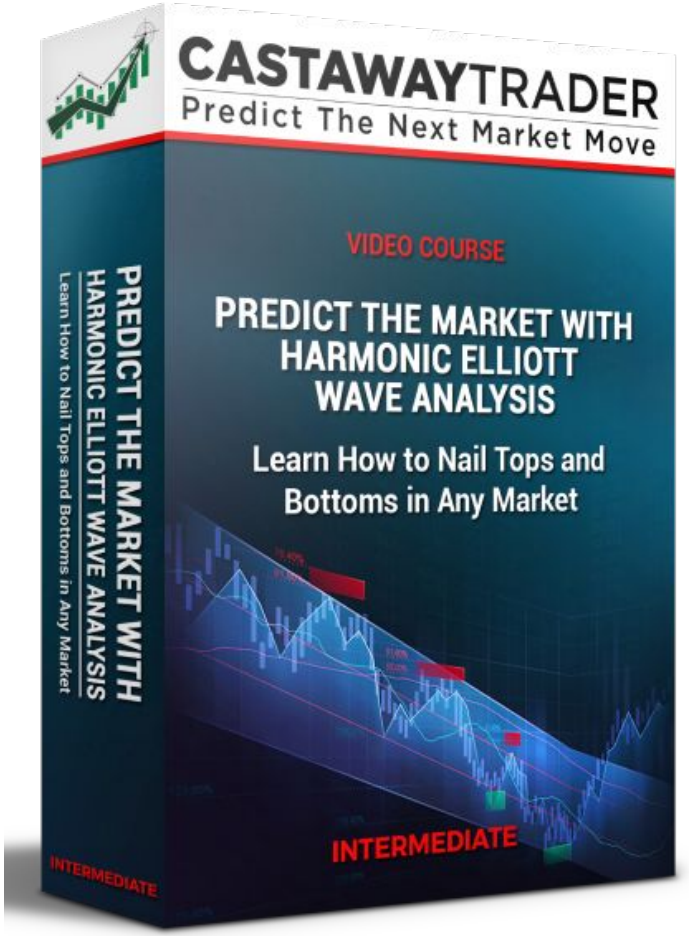
The Basic Building Blocks of Any Price Fractal

Price moves are interactions between bulls and bears.
Balance of power is constantly changing

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Market moves in zig-zags moves.
An a-b-c move up is followed by
an a-b-c shaped move down
A
B
C
A
B
C
A
B
C
A
B
C
A
B
C
A
B
C
Nasdaq, Weekly chart, 1995 - 2012
6,000.00
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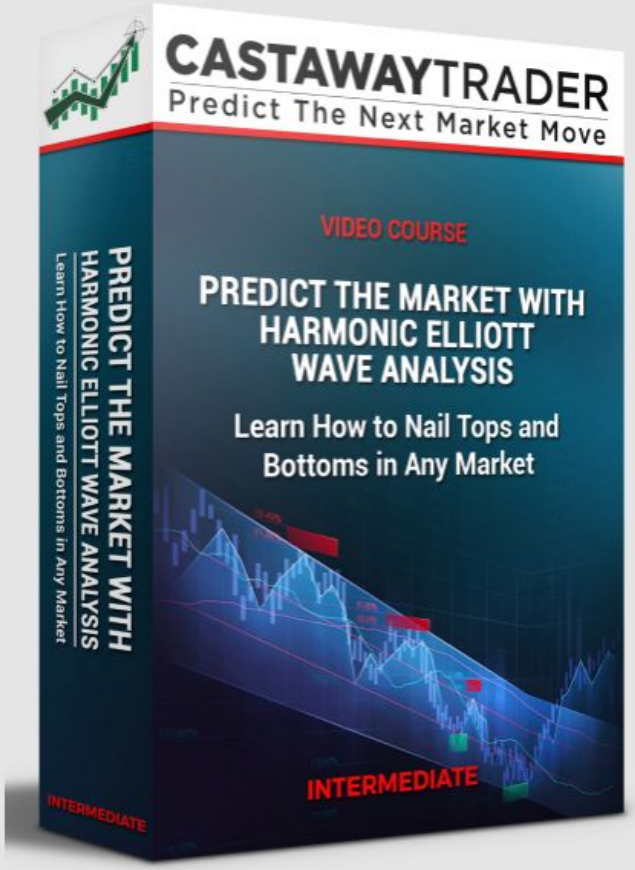
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- *Main Fractals Played by the Market Again and Again*
- *"Impulsive" vs "Corrective" waves*
- *How Combinations of Two Simple Fractals Form Any Price Chart*
- *Rules to Identify an Impulsive or Trending fractal*
- *How To Correctly Apply Extensions and Retracement tools*
- *How to Count Waves on a price chart from scratch*
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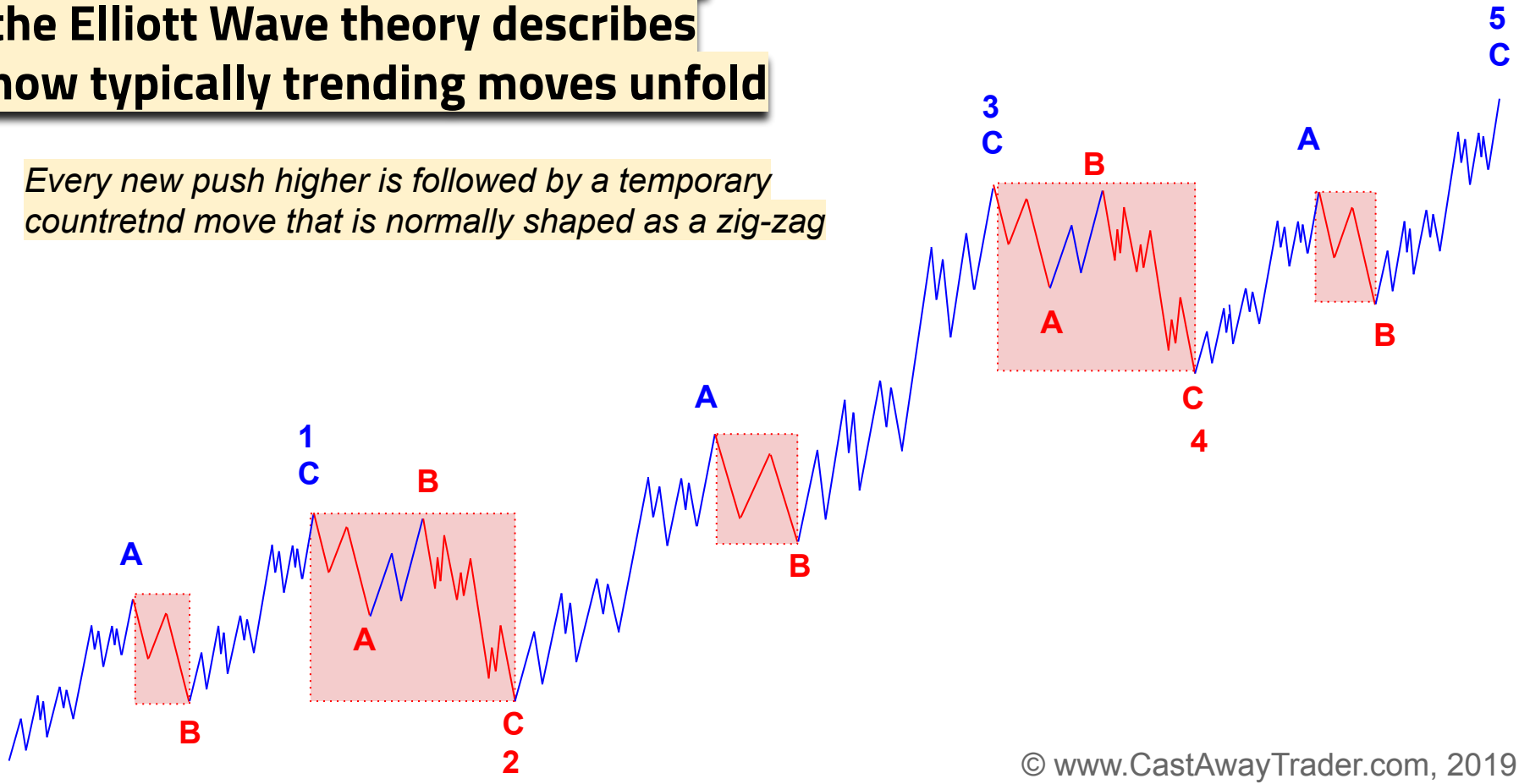
US 30 year treasuries continuous futures, weekly chart, 2007 - 2017

The Five Wave up structure under the Elliott Wave theory describes how typically trending moves unfold

Every new push higher is followed by a temporary countretnd move that is normally shaped as a zig-zag



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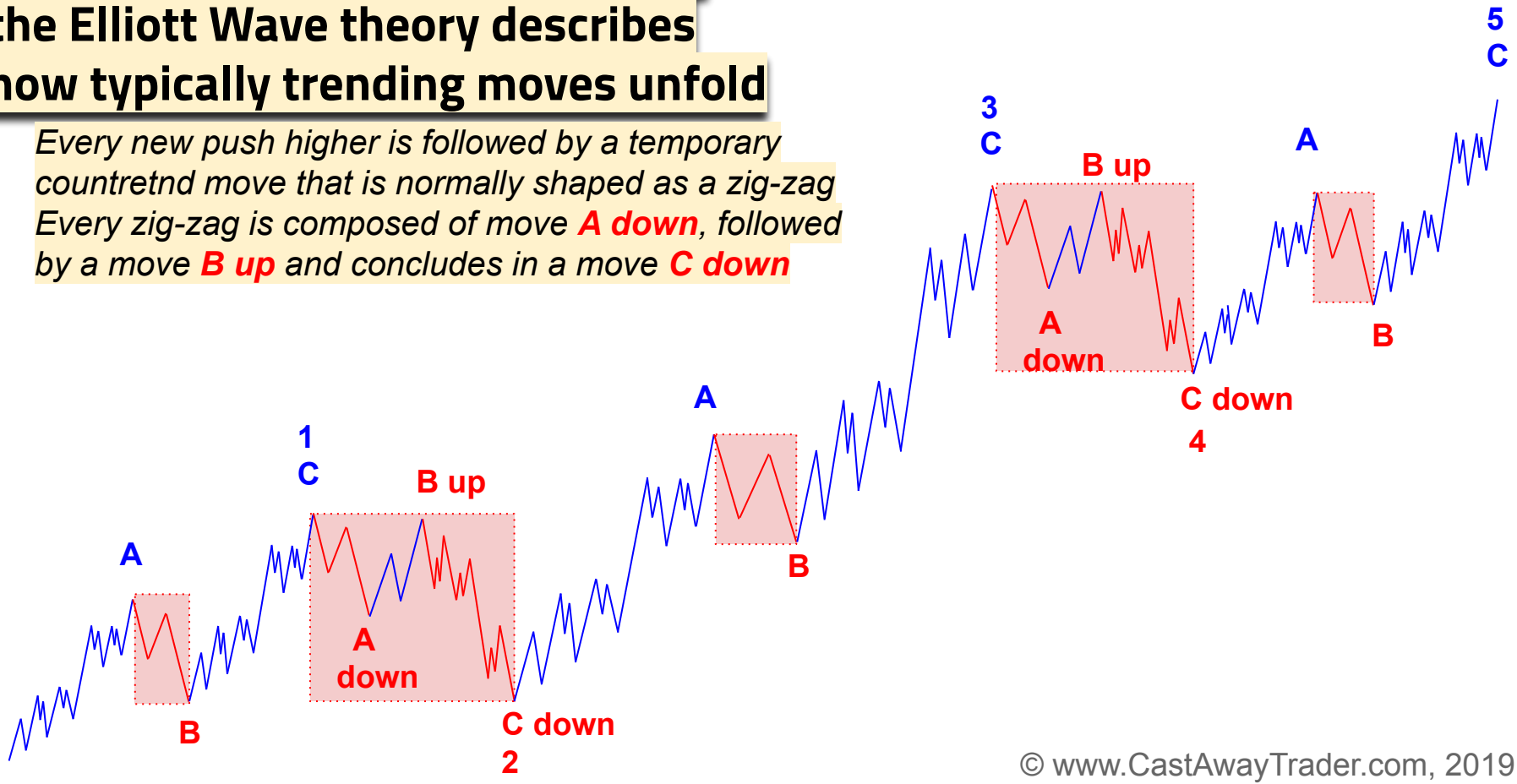
The Five Wave up structure under the Elliott Wave theory describes how typically trending moves unfold

Every new push higher is followed by a temporary countretnd move that is normally shaped as a zig-zag
*Every zig-zag is composed of move **A down**, followed by a move **B up** and concludes in a move **C down***



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EDIT, Daily
Jul 24

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IIVI, Daily
Aug 5

a-b-c corrective structure

*Every new push higher is followed by a temporary countretnd move that is normally shaped as a zig-zag Every zig-zag is composed of move **A down**, followed by a move **B up** and concludes in a move **C down***

Takeaways

- Even during multi year strong bull markets price never goes up in a straight way.
  Every new push higher is normally shaped as a zig-zag and is followed by a temporary countrend move that is normally shaped as a zig-zag.
  Every zig-zag down is composed of move A down, followed by a move B up and concludes in a move C down

- If we want to be sure that a rally will resume after a pullback we should check if a corrective pullback has an a down - b up - c down internal structure

Checklist for the long setup

- ☑ The strength of the rally was confirmed by (i) new higher highs for the last 60 days, (ii) RSI overshooting the upper threshold at 68 level and (iii) MA50 that changed the slope up
- ☑ Price declined into support of the Green Demand channel and RSI held over support level at 40 and confirmed that the move down was corrective rather tand a strong trending move that would overshot the lower threshold at 32
- ☑ Bears were unable to push price under the Green Demand channel
- ☑ We should prefer to buy pullbacks **that are comprised of three moves a down, bup and c down** and/or shaped as a **wedge, flag or pennant**